

Docket No. 00-0724  
ICC Staff Exhibit 1

LATE FILED  
DIRECT TESTIMONY

OF

DONALD MCGUIRE  
ACCOUNTING DEPARTMENT  
FINANCIAL ANALYSIS DIVISION  
ILLINOIS COMMERCE COMMISSION

RECONCILIATION OF REVENUES COLLECTED UNDER FUEL  
ADJUSTMENT CHARGES WITH ACTUAL COSTS

CENTRAL ILLINOIS LIGHT COMPANY

DOCKET NO. 00-0724

AUGUST 2001

OFFICIAL FILE

ILL. C. C. DOCKET NO. 00-0724

Staff Revised exhibit no. 1

Witness McGuire

Date 8/15/01 Reporter JD

1 Witness Identification

2 **Q. Please state your name and business address.**

3

4 A. My name is Donald McGuire. My business address is 527 East Capitol  
5 Avenue, Springfield, Illinois 62701.

6

7 **Q. By whom are you employed and in what capacity?**

8

9 A. I am an Accountant in the Accounting Department of the Financial  
10 Analysis Division of the Illinois Commerce Commission.

11

12 **Q. What is the function of the Accounting Department of the Illinois**  
13 **Commerce Commission?**

14

15 A. The Department's function is to monitor the financial condition of public  
16 utilities as part of the Commission's responsibilities under Article IV of the  
17 Public Utilities Act ("the Act") and to provide accounting expertise on  
18 matters before the Commission.

19

20 **Q. Please describe your background.**

21

22 A. I graduated from the University of Illinois with a Bachelor of Science  
23 Degree in Accounting. I joined the Commission Staff in May of 1999. Prior

24 to that, I was employed for 18 years by Central Illinois Public Service  
25 Company ("CIPS"), a gas and electric utility. During my employment at  
26 CIPS, I served in various accounting positions including 9 years as  
27 Supervisor of Fuel Accounting. In this position I was responsible for the  
28 accounting for all fuel transactions of the Company including the  
29 administration of the Uniform Fuel Adjustment Clause ("FAC") and the  
30 Uniform Purchased Gas Adjustment ("PGA").

31

32 **Q. Have you previously testified before this Commission?**

33

34 A. Yes, I have.

35

36 **Q. What are your responsibilities in this case?**

37

38 A. I have been assigned to this case by the Director of Accounting  
39 Department of the Illinois Commerce Commission. I am to review the  
40 filing of Central Illinois Light Company ("CILCO" or "Company"), analyze  
41 the underlying data and propose adjustments when appropriate.

42

43 Purpose of Testimony

44 **Q. What is the purpose of your testimony in this proceeding?**

45

46 A. The purpose of my testimony is to present the Staff position on the  
47 Company's Uniform Fuel Adjustment Clause (FAC) Reconciliation for the  
48 year ending December 31, 2000.

49

50 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1?

51

52 A. Yes. I am sponsoring the following schedule as part of ICC Staff Exhibit 1:

53 Schedule 1 Reconciliation of FAC Revenues with Actual  
54 Costs  
55

56 Schedules

57 Q. **Please describe ICC Staff Exhibit 1, Schedule 1, Reconciliation of**  
58 **FAC Revenues with Actual Costs.**

59

60 A. ICC Staff Exhibit 1, Schedule 1, presents the Staff FAC Reconciliation  
61 compared to the Company proposed FAC Reconciliation. Column (b)  
62 presents the Company's proposed FAC reconciliation as reflected in the  
63 direct testimony of CILCO witness Glenn L. Davidson.<sup>1</sup> Column (c)  
64 reflects Staff adjustments to the Company's reconciliation. Column (d)  
65 presents the FAC reconciliation per Staff.

66

67 Q. **Describe the differences between the Company reconciliation and**  
68 **the Staff's reconciliation.**

---

<sup>1</sup> See, CILCO Exhibit No. 1.1.

69

70 A. The Company's reconciliation was determined using the methodology set  
71 forth in the December 20, 2000 Order in Docket 99-0468 (i.e., the original  
72 order for CILCO's 1999 FAC reconciliation). This order required the  
73 following changes in the determination of allowable fuel cost: (1)  
74 purchased power is to be included in the computation of system-average  
75 cost; and (2) off-system competitive sales are to be included in the CNS  
76 component at the system-average cost of energy. As stated previously,  
77 CILCO's reconciliation is consistent with the methodology set forth in the  
78 December 20 Order in Docket No. 99-0468.

79

80 I am proposing, for the purposes of the 2000 FAC reconciliation, that the  
81 methodology set forth in the Initiating Order (the "Emergency Rule") in  
82 Docket No. 01-0253 be used as the appropriate FAC methodology.<sup>2</sup>

83

84 **Q. What provisions of the Emergency Rule are you referring?**

85

86 A The Emergency Rule clarified that off-system competitive sales should be  
87 removed from fuel cost at incremental cost. The Emergency Rule also  
88 mandated that purchased power be included in the determination of the  
89 system-average cost of fuel.

90

91     **Q.   Explain the difference between the methodologies used by the**  
92           **Company and Staff.**

93

94     A.   Both the Company and Staff reconciliations include purchased power in  
95           the determination of the system-average cost of fuel, however, the  
96           Company's presentation includes off-system competitive sales in the CNS  
97           component at average cost. The Company's reconciliation is based on  
98           the methodology set forth in the December 20, 2000 order in the 1999  
99           FAC reconciliation, Docket No. 99-0468.

100

101          Staff's reconciliation includes off-system sales in the CNS component at  
102          incremental cost, which is consistent with the Emergency Rule. The use  
103          of incremental costs prevents the cross subsidization of the competitive  
104          customers by the FAC customers and thus, is an appropriate methodology  
105          for the 2000 FAC reconciliation.

106

107     **Q.   Are other CNS methodologies available which could be applied to**  
108           **the 2000 reconciliation?**

109

110     A.   Yes. A reconciliation could be determined using the methodology set forth  
111          in the Second Notice Order ("Permanent Rule") in Docket No. 01-0253.<sup>3</sup>

---

<sup>2</sup> See, Illinois Commerce Commission On Its Own Motion, Amendment of 83 Adm. Code 425, Initiating Order, Order Date March 7, 2001, Appendix A.

<sup>3</sup> See, Illinois Commerce Commission On Its Own Motion, Amendment of 83 Adm. Code 425, Second Notice Order, Order Date June 19, 2001, Appendix A.

112 Using the Permanent Rule, purchased power is included in the calculation  
113 of system-average cost, however, all competitive sales (not just those  
114 outside the service area) are included in CNS at incremental cost and  
115 targeting is allowed as part of incremental cost. I have requested that the  
116 Company provide a reconciliation using the permanent rules, but I have  
117 not yet received that response. When that information becomes available  
118 it should be used to supplement the record for the Commission's  
119 consideration.

120 **Q. What amount did the Company use to remove costs from off-system**  
121 **sales in its 2000 monthly filings?**

122

123 A. The Company removed the fuel cost of off-system sales at incremental  
124 cost in each of its monthly filings in 2000, which is in accordance with the  
125 Emergency Rule.

126

127 **Q. How did the Company treat its purchased power costs in the**  
128 **determination of system-average fuel cost in its monthly filings in**  
129 **2000?**

130

131 A. The Company did not include purchase power costs in the calculation of  
132 the system-average fuel cost, which is contrary to the Emergency Rule  
133 and the Permanent Rule.

134

135 **Q. Did the Emergency Rule reflect a change in the Commission's policy**  
136 **regarding the treatment of purchased power costs in the**  
137 **determination of system-average fuel cost?**

138

139 **A.** No, it did not. However, Sections 425.40(h) and ( i) were added to clarify  
140 that purchased power costs (CCP) are to be included in the determination  
141 of the average energy cost for the CNS component. As noted in my  
142 rebuttal testimony in Docket No. 99-0468:

143 **All other electric utilities have included the purchased power**  
144 **component in the computation of "average fuel cost." Only**  
145 **CILCO has interpreted the term "average fuel cost" to mean**  
146 **the average generation cost. (Docket No. 99-0468, ICC Staff**  
147 **Exhibit 3, p. 7).**  
148

149 Thus, the above amendments to Part 425 do not signify a change in  
150 Commission policy regarding the treatment of purchased power costs.

151

152 Recommendation

153 **Q. What is your recommendation regarding CILCO's 2000 FAC**  
154 **reconciliation?**

155

156 **A.** I recommend that the Commission adopt Staff's proposed FAC  
157 Reconciliation as reflected on ICC Staff Exhibit 1, Schedule 1, page 1,  
158 Column (d).

159

160 Conclusion



161 Q. Does this conclude your prepared direct testimony?

162

163 A. Yes, it does.

CENTRAL ILLINOIS LIGHT COMPANY  
Reconciliation of FAC Revenues With Actual Costs  
For The Year Ended December 31, 2000

Line No.	Description (a)	Reconciliation Per Company (b)	Staff Adjustments (c)	Reconciliation Per Staff (Cols. b - c) (d)
1.	Fuel Cost per Income Statement	\$ 115,310,025	\$ (3,887,878)	\$ 111,422,147
2.	Interdepartmental Reclassification	46,124	-	46,124
3.	Deregulated Sales Reclassification	2,693,693	(1,603,992)	1,089,701
4.	Current Under (Over)-recovery Amount	(10,870,655)	5,491,998	(5,378,657)
5.	Subtotal	\$ 107,179,187	\$ 128	\$ 107,179,315
6.	Adjustments to eliminate fuel cost which the fuel adjustment clause is not designed to recover:			
7.	Station Expenses and Freeseproofing	\$ (1,453,242)	\$ (129)	\$ (1,453,371)
8.	Transportation Expenses	(16,253,831)	-	(16,253,831)
9.	Net Generation Fuel Cost	\$ 89,472,114	\$ (1)	\$ 89,472,113
10.	Fuel cost associated with kilowatthours purchased from other utilities (Energy portion only)	87,655,491	(9,205,362)	78,450,129
11.	Adjustment required to eliminate fuel costs associated with kilowatthours to which the fuel adjustment clause (FAC) is not applicable (CNS):			
12.	Sales to other utilities	\$ (41,939,686)	\$ 13,865,002	\$ (28,074,684)
13.	Non-monetary interchanges with other utilities	0	-	0
14.	Sales for resale	(342,934)	35,551	(307,383)
15.	Company Use	(248,044)	22,718	(225,326)
16.	Sales not subject to the FAC	(44,062,045)	(15,612,389)	(59,674,434)
17.	Subtotal CNS Sales (Lines 12-16)	\$ (86,592,709)	\$ (1,689,118)	\$ (88,281,827)
18.	Fuel cost of sales to which the fuel adjustment clause is applicable (Line 9 + Line 10 + Line 17)	\$ 90,534,896	(10,894,481)	\$ 79,640,415
19.	Total fuel cost recovered through the application of base rates and fuel adjustment factors	91,912,470	-	91,912,470
20.	Under (Over)-recovery for the year ended December 31, 2000	\$ (1,377,574)	\$ (10,894,481)	\$ (12,272,055)
21.	Deferred Under(Over)-recovery as of December 31, 1999	10,849,002	(21,945,536)	(11,096,534)
22.	Net Under(Over)-recovered balance at December 31, 2000	\$ 9,471,428	\$ (32,840,017)	\$ (23,368,589)
23.	Balance of Factor Ra at December 31, 2000	1,153,483	-	1,153,483
24.	Balance of 1999 Ro Factor at December 31, 2000 (*)	-	(21,945,536)	(21,945,536)
25.	Ordered 2000 Reconciliation Factor (Factor Ro) Collection / (Refund) (*)	\$ 8,317,945	\$ (10,894,481)	\$ (2,576,536)

Notes:

\*...Amount Due Customers:

Ro from 1999 Reconciliation (Column d, Line 24)	\$ 21,945,536
Ro from 200 Reconciliation (Column d, Line 25)	2,576,536
Total Due	<u>\$ 24,522,072</u>

CENTRAL ILLINOIS LIGHT COMPANY  
Reconciliation of FAC Revenues With Actual Costs  
For The Year Ended December 31, 2000

Sources:

Column (b)

Column (b), Lines 1-22: CILCO Exhibit 1.1, Direct Testimony of Glenn L. Davidson, Statement of Reconciliation of Fuel Costs.

Column (b), Line 23: CILCO Monthly FAC Filing, for the billing month beginning February 1, 2001, Reconciliation of Under/Over Recoveries with the General Ledger, During the 2nd Prior Month - December, Schedule 7, Column (H), Line 2.

Column (b), Line 24: See, CILCO Exhibit 1.0, Direct Testimony of Glenn L. Davidson, pp. 4-5, lines 81-83.

Column (b), Line 25: Line 22 - Line 23 - Line 24; ( See, CILCO Exhibit 1.0, p. 4, Lines 78-81).

Column (c)

Column (c): Column (b) - Column (d).

Column (d)

Column (d), Lines 1-19: CILCO Response to Staff Data Request SRK-001, CILCO 2000 FAC Reconciliation Using Emergency Rule Methodology, (See, Illinois Commerce Commission On Its Own Motion, Amendment of 83 Ill. Adm. Code 425, Docket No. 01-0253, Initiating Order Date March 7, 2001, Appendix A).

Column (d), Line 20: Line 18 - Line 19.

Column (d), Line 21: Staff Brief on Exceptions, Illinois Commerce Commission on its Own Motion vs. Central Illinois Light Company, Docket No. 99-0468, Appendix A, Line 22, June 7, 2001.

Column (d), Line 22: Line 20 + Line 21.

Column (d), Line 23: CILCO Monthly FAC Filing, for the billing month beginning February 1, 2001, Reconciliation of Under/Over Recoveries with the General Ledger, During the 2nd Prior Month - December, Schedule 7, Column (H), Line 2.

Column (d), Line 24: Staff Brief on Exceptions, Illinois Commerce Commission on its Own Motion vs. Central Illinois Light Company, Docket No. 99-0468, Appendix A, Line 24, June 7, 2001.

Column (d), Line 25: Line 22 - Line 23 - Line 24.